

**EXHIBIT B**

**(*Enron* Bench Ruling Transcript)**

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In the Matter of:

ENRON CORP., ET AL.,

Case No.

01-16034

Debtor.

-----X

April 11, 2002

2:00 p.m.

United States Custom House

One Bowling Green

New York, New York

B E F O R E:

HON. ARTHUR J. GONZALEZ, U.S. BANKRUPTCY JUDGE

Ruling in reference to: One, the schedules; two,  
exclusivity; and three, the D&O insurance issue

Reported by:

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1 ENRON CORP., ET AL.,

2 THE COURT: Please be seated.

3 All right. My recollection, if I  
4 left something out I'll have to go back in and get  
5 some more papers, but my recollection is that  
6 there are three decisions I have to read into the  
7 record: One, the schedules; two, exclusivity; and  
8 three, the D&O insurance issue.

9 Was there anything else that I  
10 reserved on this morning?

11 All right. I'll deal first with  
12 exclusivity and then I'll read a decision with  
13 respect to the D&O. And when I deal with  
14 exclusivity, I'll deal as well with the schedules.

15 Cause exists to extend the Debtors  
16 exclusive periods as to all the Debtors.

17 With respect to ENA, the Court will  
18 do the following: One, extend ENA's exclusive  
19 period to August 31st, 2002; two, sua sponte  
20 expand the ENA Examiner's role to that of the  
21 facilitator of a plan in the ENA case and direct  
22 him to file a report regarding the status of those  
23 efforts including a recommendation as to any  
24 further extension of ENA's exclusivity; three,  
25 such report shall be filed on or before July 26,

1 ENRON CORP., ET AL.,

2 2002.

3 With respect to the other Enron  
4 Debtors, the exclusive period is extended as  
5 requested by the Debtor and the Committee for the  
6 six-month period sought.

7 With respect to the schedules, the  
8 Court grants the Debtors' request for the  
9 additional 60 days and the related relief sought.  
10 And the Debtor is to serve an order with respect  
11 to both of those issues, and obviously settle it  
12 upon the ENA Examiner with respect to the  
13 exclusivity issue.

14 Regarding the AEGIS motion and the  
15 outside directors. Concerning the motions filed  
16 by AEGIS and the outside directors to lift the  
17 automatic stay to allow AEGIS to pay amounts under  
18 the AEGIS D&O Policy and the AEGIS Fiduciary and  
19 Employee Benefit Liability Policy, first, as set  
20 forth by the Movants, their motion to lift the  
21 stay is the procedurally correct method to have  
22 this matter presented to the Court.

23 Therefore, currently at issue is  
24 the payment of the defense costs incurred by the  
25 officers and directors.

1 ENRON CORP., ET AL.,

2 The D&O Policy provides for  
3 coverage of the directors and officers,  
4 indemnification coverage for the Debtor, and  
5 entity coverage for the Debtor.

6 Pursuant to the terms of the D&O  
7 Policy, the directors have a right to advancement  
8 of defense costs under a priority of payments  
9 endorsement.

10 The Debtors' entity coverage and  
11 its indemnification coverage are expressly  
12 subordinated to the rights of the directors and  
13 officers under the AEGIS D&O policy.

14 As the Debtors' property rights are  
15 defined by state law, it is that law that governs  
16 the contractual obligation; thus, any directors  
17 and officers currently due defense costs covered  
18 by the policy must be paid from the proceeds of  
19 the policy first. The Debtors are then entitled  
20 to have their own claims for defense costs paid.

21 The Debtors note the importance of  
22 providing the officers and directors with this  
23 type of coverage. The Debtors assert that the  
24 Debtor, itself, is entitled to currently-due  
25 defense costs and will seek payment once the

1 ENRON CORP., ET AL.,  
2 directors and officers receive payments for the  
3 amounts currently due them.

4 With respect to the payment of  
5 officers and directors' defense costs, to the  
6 extent that any such payments would negatively  
7 impact the Debtors' interest in the proceeds of  
8 the D&O policy, that result is dictated by the  
9 negotiated terms of the policy.

10 As certain officers and directors  
11 may have present rights to payment of defense  
12 costs, the fact that certain parties may in the  
13 future assert claims and potentially become  
14 entitled to payment from the insurance policies  
15 does not preclude those who are currently entitled  
16 to payment from receiving it.

17 In any case, the parties are bound  
18 by the contractual provisions of the policy. The  
19 Debtors' interest in the policy is limited by its  
20 contractual provisions including a priority  
21 advancement and payment obligations contained in  
22 those policies. The Court cannot rewrite the  
23 provisions of the contract.

24 The Objectants acknowledge the  
25 terms of the contract. Some of the Objectants

1 ENRON CORP., ET AL.,  
2 argue that because AEGIS and the outside directors  
3 are seeking to invoke this Court's jurisdiction  
4 concerning the lifting of the stay, that gives  
5 this Court leeway to set conditions upon which the  
6 stay would be lifted. However, in this case, any  
7 such action would result in changing the terms of  
8 the contract.

9 The Court finds that, while  
10 exercising jurisdiction concerning the issue of  
11 lifting the stay, it should not exercise  
12 jurisdiction over the terms of the contract and  
13 will not interfere with those terms.

14 Under the AEGIS Fiduciary Policy,  
15 the coverage afforded the relevant Debtors is  
16 co-extensive with the coverage afforded the  
17 individual insureds. However, that policy  
18 provides a special \$10 million fund earmarked for  
19 defense costs.

20 Payment from that fund will protect  
21 the coverage that is available for payment of  
22 settlements and judgements. Moreover, payment  
23 from the special funds requires written approval  
24 from the Debtor. These two aspects protect the  
25 Debtors' interest.



1 ENRON CORP., ET AL.,

2 In addition, the Debtors have  
3 referenced the estates' interest in having  
4 individual defendants vigorously defend themselves  
5 in light of the potential for vicarious liability.

6 The Debtors also have asserted that  
7 the payment of the individual claimants' defense  
8 cost from the special \$10 million fund should not  
9 limit the availability of proceeds that may be  
10 required by the Debtor.

11 Based upon the pleadings filed and  
12 the record of this hearing, the Court finds that  
13 because of the entity coverage, the stay is  
14 implicated. However, the Debtors' interest appear  
15 minimal.

16 Moreover, the Debtors' interest  
17 should not be expanded by this Court. They should  
18 receive no greater protection than their contract  
19 rights afford them.

20 The Court finds cause to lift the  
21 stay and grant the motion to permit the parties to  
22 exercise their contractual rights under the D&O  
23 Policy.

24 In addition, the Court grants the  
25 motion to lift the automatic stay to the extent

1 ENRON CORP., ET AL.,  
2 that the individual insureds and the Debtors may  
3 exercise their contractual rights against the  
4 \$10 million special fund portion of the Fiduciary  
5 Policy.

6 The Movants shall settle an order  
7 upon the appropriate parties.

8 We will begin again, I think, at  
9 2:30. Thank you.

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11 (Time noted: 2:05 p.m.)

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C E R T I F I C A T E

STATE OF NEW YORK )

)SS.:


COUNTY OF NEW YORK )

I, LINDA D. NOTO, a Certified  
Shorthand Reporter, Registered  
Professional Reporter and Notary Public  
within and for the State of New York, do  
hereby certify:

I reported the proceedings in the  
within entitled matter, and that the  
within transcript is a true record of  
such proceedings.

I further certify that I am not  
related, by blood or marriage, to any of  
the parties in this matter and that I am  
in no way interested in the outcome of  
this matter.

IN WITNESS WHEREOF, I have hereunto  
set my hand this 11th day of April, 2002.



LINDA D. NOTO, C.S.R., R.P.R.

License Number XI 01887 - N.J.

License Number 001002 - N.Y.